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## **Ethics, economy roundtable topics**

*Four prominent Coloradans, in an interview with *The Post*, indicate that a strong economy is rooted in education and ethical decisions*

Which sectors will fuel Colorado's economic growth?

How can more students be encouraged to graduate from high school - and go on to college - in preparation for global job competition?

What are the ethics lessons from corporate accounting scandals?

The questions are big and complex, the answers varied and hotly debated.

The Denver Post recently asked four prominent Coloradans to take on tough questions about the economy, education and ethics.

Their answers indicated that the subjects are intertwined: a strong economy is rooted in education and ethical decision-making.

The participants in this roundtable discussion were:

- **Hank Brown**, who will become president of the University of Colorado on August 1<sup>st</sup>. The CU system counts more than 50,000 students and 24,000 employees. Brown is currently president and chief executive of the Daniels Fund.
- **Charlie Fote**, chairman and CEO of First Data Corp., which processes electronic funds worldwide and owns Western Union. Based in Greenwood Village, First Data is the largest Colorado company by market capitalization, at \$30 billion. It employs 32,000 people worldwide, including 3,000 in Colorado.
- **Monica Pleiman**, chairman and CEO of Optimum Management Systems in Denver, a consulting firm with 90 employees and \$6.5 million in revenues. Pleiman is co-founder of the Denver-based Latina Chamber.
- **Patricia Silverstein**, president of Development Research Partners, based in Littleton. Silverstein serves as the consulting chief economist for the Denver Metro Chamber of Commerce.

The roundtable was moderated by Denver Post business editor Stephen Keating. Following is a transcript, edited for space and clarity.

## **ECONOMY: What's the biggest impediment to job growth in Colorado?**

**Hank Brown:** The Gallagher Amendment (which requires that 55 percent of state taxes come from commercial properties) is absolutely death, long-term, for Colorado's economy. It imposes a disproportionate property tax on businesses. It will literally drive out of the state businesses that have significant property-tax bases.

**Patricia Silverstein:** From a broad perspective, one of the greatest challenges we're facing is some slower activity at the national level. And just when metro Denver's and Colorado's economy start to get going, we're seeing this little bit of slowdown at the national level. Lots of concerns regarding the direction of oil prices.

**Monica Pleiman:** Education is huge. We market ourselves as a highly educated state, but really if you look under that cover, we are not educating our students. At our high schools and our junior highs, we're not graduating people at the rate that we should be graduating them.

**Charlie Fote:** This is a global economy. People are coming into the States for low-dollar jobs because we can't get anyone (here) to take them. And (companies) are taking the \$60-an-hour jobs and moving them out of the country for \$28 an hour or 28 cents a minute, depending on what the job is. So you don't have to move the people, you just move the jobs. It's what I call digitized immigration. (At First Data) we have 32,000 employees and only 300 jobs outsourced to India.

**Denver Post:** On the First Data website, you have 500 job postings, 75 in Colorado, including a data security director job that pays \$139,000 a year. Does the talent pool in Colorado support those jobs - or are you going to recruit from out of state?

**Fote:** We'll probably get 60 of the 75 from here.

**Post:** Patty, you and some other economists are predicting 2.5 percent job growth in Colorado this year, about 55,000 new jobs. How is that looking?

**Silverstein:** Right now we only have data through the first quarter of 2005, but we are tracking at right about that 2 to 2.5 percent mark so far. So we're certainly seeing more robust job growth than we experienced in 2004. Not to the levels that we had during the late 1990s or the year 2000.

**Post:** Monica, you started your firm in 1998 with four employees and have 90 now. What was it like building a small business during a half-up, half-down economy?

**Pleiman:** It takes recruitment of a very diverse workforce. And diverse in my opinion is gender, ethnicity, culture, etc. From the start, I had ensured that my managers and my upper-level project managers knew that's where I wanted to be. And I think that was one of our major strengths in helping us come up with new ideas and new ventures and maybe even launching new divisions.

**Post:** Overall, where's the growth in jobs going to come from?

**Silverstein:** We've identified five key sectors that we believe are the growth arenas for the metro Denver region: software, aerospace, financial services and biosciences. Also the energy sector, which is really the whole combination of renewable and non-renewable energy these days.

**Pleiman:** I sit on the Denver Metro Chamber board and also on the Colorado Space Coalition, and aerospace is a huge topic that we're discussing right now. There's a lot of growth, but there are not the engineers, the scientists, the technology people coming out of high school and college anymore. Workforce development is a problem.

**Silverstein:** What we see all across the board is making sure that we do have the quality of labor here and that we are bringing the people up through the educational system. And maintaining that competitive edge and making sure that our educational system can turn quickly to make sure that we're meeting those demands in the marketplace.

**Brown:** The Fitzsimons campus, with the health-care development, is a potential engine to drive significant new jobs for Colorado. It would surprise most Coloradans to know that state-funded research is in the multihundred-million-dollar category. And also the Colorado Springs area. You already have some of the major defense contractors in that area. The university sees a role in helping to provide the hard science graduate work that can complement what those defense contractors need.

**Fote:** The capital is going to go where people get the highest return for their money. That can be local, that can be national, that can be international. But the money's going to go there. It's all going to get down to taxes. We went through this with voice centers in Colorado. If you have a tax on service, on telephone tariffs in Colorado, and Nevada doesn't, you move that traffic immediately.

**EDUCATION: Someone with a bachelor's degree makes roughly double the median income of someone who's not a high-school graduate. What can be done about it?**

**Pleiman:** In the minority community we know that a large percentage are not getting educated. One thing we've done (at the Latina Chamber) is to have motivational luncheons where we bring successful Latinos in front of high school students. We've had Juan Marcos Gutierrez-Gonzalez, head of the Mexican consulate in Denver; Maria Guajardo Lucero from the mayor's office for education and children; Patricia Barela Rivera, district director for the U.S. Small Business Administration; and others.

And what that has done for these kids is just amazing. I'm a first-generation student, so I have the perfect example. I was on financial aid. I am the very first of all seven kids in my family to graduate from high school. I'm now kind of the core of my family. They're looking to me for examples and ideas and help and support. So I talk about that with the kids.

It's definitely about mentoring and leadership. I'm on the board of the Denver School of Science and Technology. The school is 60 percent minority. We're not saying, "Here is the advanced placement college kids and everyone else, you'll just skate through until you graduate." When they come in the door, we set up core values, we have a dress code, we have the parents involved, the community involved, the teachers, etc. It's a whole group of people who are stating to these kids, "All 100 percent of you are going to go to college."

**Brown:** This fall (the Daniels Fund) will have almost 700 students on full scholarship in college. A little over 70 percent of the class will be students of color. The University of Northern Colorado has the Cumbres ("Peaks" in Spanish) program that provides scholarships for Hispanics to become teachers. It is so helpful for a child who comes in, who may not speak English, to see someone they can relate to in the classroom, rather than an environment where there are no role models who look like them.

One of the things in association with the University of Colorado I've suggested to legislators is that they take a portion of the 1 percent net increase in school finance formula funding - and that's the 1 percent above the cost of living and above growth - and dedicate it to a summer school instruction for students who are behind greatly in their junior year. My hope is that the University of Colorado could attract those young people to take the summer courses on campus. It would get them comfortable with the college atmosphere, and help them in getting up to speed on math and English.

**Fote:** We need a GI Bill on the education issue. Companies would get incentives for putting in preschool to third grade. The school would be housed by the company.

Then have the single parent or parents grow with that kid in the company as they're going to school. So if you're reading down there in the atrium, Mom goes or Dad goes and reads with the kid, has lunch with the kid. Then next year you give them fourth grade, then fifth grade, then sixth grade.

I think a lot of what's gone on, the kids scatter and they stray. Now the schools are trying to put them back together when they're in high school, and by that time it's too late. It's gone. So we can't solve it. The only way the private sector can help is to start small. But to say that we're going to fix preschool to senior high school, there's not enough money in the world to fix that.

**ETHICS: We've gone through a period of high-profile accounting scandals at WorldCom, Enron, Qwest and Adelphia. What happened?**

**Fote:** I think some of these companies stretched the value of assets, and that's what caused most of the problems. Go all the way back to the (savings-and-loan scandals), the last time this happened it was the value of bad debts on the books.

People were capitalizing bad debts. So any time you have something you can't touch and feel, you have gray (areas). When you have gray, you need real tight rules around them,

and you need to be disciplined. You can't have some managers saying an intangible is worth \$2 million and another one saying it's worth \$3 million. Or, "I can write it off over two years," or "I can write it off for five years." There has to be a lot of discipline, and that comes from management.

**Post:** The Sarbanes-Oxley reforms require extensive reporting by public companies on financial controls. How much does it cost to comply?

**Fote:** It cost us over \$10 million. But what I heard a couple weeks ago was that it cost the industry \$35 billion - to say you're telling the truth.

**Post:** Is it worth it?

**Fote:** I'll tell you, some of these fiascos - if they didn't happen, we'd be a lot stronger right now. We'll see long-term.

**Post:** If the cost is \$35 billion, how does that get factored into the economy? Is it taken away from money that would be invested for capital projects?

**Silverstein:** It depends on where that money would have flowed otherwise. For some businesses it may be capital investment, for others it may be investment in additional employees or who knows. But it is certainly a reshuffling of those dollars. I think that what we're seeing provides your investor base with more confidence.

**Post:** When you hear about the rules and compliance standards for public companies, do you think you'd ever want to take your company public?

**Pleiman:** Definitely. That's in my mind to go public someday. Within the next five years, actually. How Sarbanes-Oxley changed my viewpoint is that, as (CEO of) a small business, I immediately went out and got one of the top accounting firms to review our records monthly and do audits of our books yearly. Because I'm not a CPA, I'm not an expert. Yes, I have to be responsible for the financials, and yes I understand our profit and loss and balance sheet and how we make decisions. It's a lot of money for a small business. (My business makes) just \$6.5 million in revenues. We spend about \$75,000, if not more, by the time we add what we paid for our taxes and our audit every year.

**Post:** There's a move in Congress that nonprofits - such as the Daniels Fund - should also comply with some Sarbanes-Oxley-type rules. Is that a good idea?

**Brown:** The Daniels Fund is capable of complying with some of the more complex rules. Smaller ones would not be able to without enormous sacrifice and a diversion of resources that go to help the less fortunate in society. There are parts of Sarbanes-Oxley that you'll see Congress apply to foundations, and I think with good reason. For example, the requirement of an audited financial statement probably makes the most sense for operations that are of decent size.

The truth is, a lot of the accounting questions that private business got into were exceptionally complex matters that even the best accountants sometimes guessed wrong on. And sometimes those accounting questions were subject to the (Securities and Exchange Commission) changing its mind over the years.

**Post:** (To Hank Brown) When you were named CU president, you talked about the need for transparency in university dealings. What does that mean?

**Brown:** The application of it is very broad, because it means, one, that our financial statements at the university level have to be transparent. Part of it is thinking through ways to be clearer about what's going on at a university, and sharing that information within the university. But it also applies to the way we do business with the public. We need to make sure we're responsive to people's questions and about doing the public business.

**Post:** Can a public company be transparent, or is that noncompetitive?

**Fote:** It absolutely can be transparent. All the stories you hear about, "If I disclose too much I give away some competitive secrets." If all those secrets are given out and you're going head-to-head, you win on the merits of your people and your relationships. We try to be very transparent. We have always tried. I don't think it's a negative for big companies, especially now. If there's a trend in your business that's bad, you should be talking about it.

You can't say it's all right not to talk about cancellation of huge contracts, or backdate agreements to get them in the quarter so I can get my bonus. That's all business ethics. That has nothing to do with Sarbanes.

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